

A bill for an act

relating to the financing of state and local government; taxation; education finance; eliminating the sales tax exemption on clothing; adjusting the school payment shift; amending Minnesota Statutes 2008, sections 127A.45, subdivision 2; 297A.62, subdivision 1, by adding a subdivision; 297A.65; 473.757, subdivision 10; Minnesota Statutes 2009 Supplement, section 297A.992, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 297A; repealing Minnesota Statutes 2008, sections 297A.61, subdivision 46; 297A.67, subdivisions 8, 27.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2008, section 127A.45, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) The term "other district receipts" means payments by county treasurers pursuant to section 276.10, apportionments from the school endowment fund pursuant to section 127A.33, apportionments by the county auditor pursuant to section 127A.34, subdivision 2, and payments to school districts by the commissioner of revenue pursuant to chapter 298.

(b) The term "cumulative amount guaranteed" means the product of
(1) the cumulative disbursement percentage shown in subdivision 3; times
(2) the sum of
(i) the current year aid payment percentage of the estimated aid and credit entitlements paid according to subdivision 13; plus
(ii) 100 percent of the entitlements paid according to subdivisions 11 and 12; plus
(iii) the other district receipts.

(c) The term "payment date" means the date on which state payments to districts are made by the electronic funds transfer method. If a payment date falls on a Saturday,

a Sunday, or a weekday which is a legal holiday, the payment shall be made on the immediately preceding business day. The commissioner may make payments on dates other than those listed in subdivision 3, but only for portions of payments from any preceding payment dates which could not be processed by the electronic funds transfer method due to documented extenuating circumstances.

(d) The current year aid payment percentage equals ~~90~~ 73 in fiscal year 2010; 73 in fiscal year 2011; 74.7 in fiscal year 2012; 76.4 in fiscal year 2013; 78.1 in fiscal year 2014; 79.8 in fiscal year 2015; 81.5 in fiscal year 2016; 83.2 in fiscal year 2017; 84.9 in fiscal year 2018; 86.6 in fiscal year 2019; 88.3 in fiscal year 2020; and 90 in fiscal years 2021 and later.

Sec. 2. Minnesota Statutes 2008, section 297A.62, subdivision 1, is amended to read:

Subdivision 1. ~~Generally~~ **Rate.** Except as otherwise provided in subdivision 3 or in this chapter, a sales tax of ~~6.5~~ 6.25 percent is imposed on the gross receipts from retail sales as defined in section 297A.61, subdivision 4, made in this state or to a destination in this state by a person who is required to have or voluntarily obtains a permit under section 297A.83, subdivision 1.

EFFECTIVE DATE. This section is effective for sales and purchases after June 30, 2011.

Sec. 3. Minnesota Statutes 2008, section 297A.62, is amended by adding a subdivision to read:

Subd. 1b. Rate of adjustment. Pursuant to the requirements of the Minnesota Constitution, article XI, section 15, the proportion of the sales and use tax rate in subdivision 1, dedicated for the purposes defined in that section, must be proportionally adjusted by law, as calculated by the commissioner, to within one-thousandth of one percent in order to provide as close to the same amount of revenue as practicable before the repeal of section 297A.67, subdivision 8.

EFFECTIVE DATE. This section is effective for sales and purchases after June 30, 2010.

Sec. 4. **[297A.625] RATE ADJUSTMENTS AND TRACKING.**

(a) The commissioner must track the change in revenue resulting from the repeal of section 297A.67, subdivision 8. The commissioner may require retailers to separately state on returns under section 289A.18, subdivision 4, the amount of tax collected as a

result of the repeal of section 297A.67, subdivision 8. The commissioner must report to the governor and the chairs and ranking minority members of the legislative committees and divisions of the senate and the house of representatives having jurisdiction over taxes by January 15 of every year on the amount of tax collected as a result of the repeal of section 297A.67, subdivision 8, for the fiscal year most recently ended.

(b) Beginning in fiscal year 2012, for each fiscal year, \$120,000,000 of the revenue attributable to the repeal of section 297A.68, subdivision 8, must be dedicated to the adjustment of the school payment shift under section 127A.45, subdivision 2. When the percentage under section 127A.45, subdivision 2, is at least 90 percent, \$120,000,000 per fiscal year of the revenue attributable to the repeal of section 297A.67, subdivision 8, must be dedicated to reducing the rate in section 297A.62, subdivision 1. The rate in section 297A.62, subdivision 1, must be proportionately reduced by law, as calculated by the commissioner, to within one-thousandth of one percent. The amount dedicated under this section is not subject to the calculation of a budget reserve under section 16A.152, subdivision 2.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2008, section 297A.65, is amended to read:

297A.65 LOTTERY TICKETS; IN LIEU TAX.

Sales of state lottery tickets are exempt from the tax imposed under section 297A.62. The State Lottery must on or before the 20th day of each month transmit to the commissioner of revenue an amount equal to the gross receipts from the sale of lottery tickets for the previous month multiplied by ~~the tax rate under section 297A.62, subdivision 1~~ a rate of 6.5 percent. The resulting payment is in lieu of the sales tax that otherwise would be imposed by this chapter. The commissioner shall deposit the money transmitted as provided by section 297A.94 and the money must be treated as other proceeds of the sales tax. For purposes of this section, "gross receipts" means the proceeds of the sale of tickets before deduction of a commission or other compensation paid to the vendor or retailer for selling tickets.

EFFECTIVE DATE. This section is effective for sales and purchases of lottery tickets after June 30, 2010.

Sec. 6. Minnesota Statutes 2009 Supplement, section 297A.992, subdivision 2, is amended to read:

Subd. 2. **Authorization; rates.** (a) Notwithstanding section 297A.99, subdivisions 1, 2, and 3, or 477A.016, or any other law, the board of a county participating in a joint powers agreement as specified in this section shall impose by resolution (1) a transportation sales and use tax at a rate of ~~one-quarter of one~~ 0.24 percent on retail sales and uses taxable under this chapter, and (2) an excise tax of \$20 per motor vehicle, as defined in section 297B.01, subdivision 11, purchased or acquired from any person engaged in the business of selling motor vehicles at retail, occurring within the jurisdiction of the taxing authority. The taxes authorized are to fund transportation improvements as specified in this section, including debt service on obligations issued to finance such improvements pursuant to subdivision 7.

(b) The tax imposed under this section is not included in determining if the total tax on lodging in the city of Minneapolis exceeds the maximum allowed tax under Laws 1986, chapter 396, section 5, as amended by Laws 2001, First Special Session chapter 5, article 12, section 87, or in determining a tax that may be imposed under any other limitations.

EFFECTIVE DATE. This section is effective for sales and purchases after June 30, 2010.

Sec. 7. Minnesota Statutes 2008, section 473.757, subdivision 10, is amended to read:

Subd. 10. **Sales and use tax.** (a) Notwithstanding section 477A.016, or other law, the governing body of the county may by ordinance, impose a sales and use tax at the rate of ~~0.15~~ 0.144 percent for the purposes listed in this section. The taxes authorized under this section and the manner in which they are imposed are exempt from the rules of section 297A.99, subdivisions 2 and 3. The provisions of section 297A.99, except for subdivisions 2 and 3, apply to the imposition, administration, collection, and enforcement of this tax.

(b) The tax imposed under this section is not included in determining if the total tax on lodging in the city of Minneapolis exceeds the maximum allowed tax under Laws 1986, chapter 396, section 5, as amended by Laws 2001, First Special Session chapter 5, article 12, section 87, or in determining a tax that may be imposed under any other limitations.

Sec. 8. **REPEALER.**

Minnesota Statutes 2008, sections 297A.61, subdivision 46; and 297A.67, subdivisions 8 and 27, are repealed.

EFFECTIVE DATE. This section is effective for sales and purchases after June 30, 2010.